

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/25/2012

POSITION: Oppose

SPONSOR: Assembly Committee on Jobs, Economic
Development and the Economy

BILL NUMBER: AB 1545

AUTHOR: Perez, V. Manuel

BILL SUMMARY: Economic development projects.

This bill would authorize the California Infrastructure and Economic Development Bank (I-Bank) to establish and participate in infrastructure and economic development financing within the California-Mexico border region, which is defined as an area within 125 miles on each side of the border. The bill also would prohibit use of I-Bank funding for construction of infrastructure outside of California unless funds for that purpose come from another source.

FISCAL SUMMARY

According to the I-Bank, to develop guidelines for the selection, review and approval of border region projects, it would be necessary to hire two new staff at a cost of approximately \$250,000. These positions would be funded from the Infrastructure State Revolving Fund (ISRF) which has interest earnings from loan repayments. The use of funds from the program would reduce interest revenue that could be used for additional loans.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 25, 2012, version include legislative findings that supporting economic development activities within the border region is not in conflict with the United States Constitution, and provisions that the bill does not become effective unless the I-Bank Director notifies the Legislature that sufficient funds are available to implement the new program. These amendments do not alter our position.

COMMENTS

Finance is opposed to this bill because there are other programs, such as the North American Development Bank (NadBank), that address border financing needs. Additionally, since the bill prohibits the use of I-Bank funds for financing infrastructure outside of California, the bill appears to be unnecessary as the I-Bank can already finance infrastructure in the border area within California. Lastly, the bill raises constitutional issues as to whether the authority to coordinate economic development in Mexico interferes with the federal government's authority to regulate trade with other nations.

Discussion:

According to the author's office this bill is intended to increase economic development along the border region with Mexico because it is California's largest trading partner and the goods movement system along the southern border needs improvement.

Analyst/Principal P. Abahazi	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

AUTHOR

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COMMENTS (continued)

Due to federal constitutional limitations, the I-Bank is not authorized to operate outside the country. There is an existing international program for that purpose through the NadBank, which raises capital from both the United States and Mexico.

Similar legislation was vetoed in 2002. SB 1731 (Polanco/2002) would have established the California and Mexico Economic Infrastructure Financing Authority to issue tax-exempt bonds to finance public and private infrastructure projects in the border region. Governor Gray Davis vetoed the bill because other programs are addressing border infrastructure needs.

		(Fiscal Impact by Fiscal Year)						
Code/Department	SO	(Dollars in Thousands)						
Agency or Revenue	LA							
Type	CO	PROP					Fund	
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
								Code
0520/Secty BT&H	SO	No	A	125	A	250	A	250 0649
<u>Fund Code</u>	<u>Title</u>							
0649	Infrastructure & Economic Devl Bank, Cal							